

**Connecticut State Board of Accountancy**  
**June 1, 2004**  
**Minutes**

Chairman Reynolds called the meeting to order at 8:34 a.m. on the second floor conference room in the Office of the Secretary of the State, 30 Trinity St. Hartford CT.

Present :

Thomas F. Reynolds, CPA, Chairman  
Richard P. Bond  
James Ciarcia  
Philip J. DeCaprio Jr., CPA  
Richard Gesseck, CPA  
Leonard M. Romaniello, Jr., CPA  
Richard Sturdevant  
Michael Weinshel, CPA

Staff Members Present:

David L. Guay, Executive Director  
Eric Opin, Board Attorney  
Stephanie Sheff, Board Staff  
Andrée Hazel Nelson, Board Staff  
Johanna White, Intern  
Edward Piepmeier, Intern

Arthur Renner, Executive Director, Connecticut Society of Certified Public Accountants  
Joseph A. Equale, CPA, President, Connecticut Society of Certified Public Accountants

A motion to approve the minutes of the April 4, 2004 Board meeting was made by Michael Weinshel and seconded by Richard Bond. Philip DeCaprio abstained because he had not been present at the last meeting. All voted in favor.

The motion to accept the individual list of Certificates, Registrations, and License Applications was moved by James Ciarcia and seconded by Michael Weinshel. All voted in favor.

The motion to accept the Firm Permit applications was moved by Richard Sturdevant and seconded by Leonard Romaniello. All voted in favor.

The next item on the Agenda was the 2003 CPE audit and Chairman Reynolds directed Executive Director Guay to update the Board on this topic. He explained that letters had been sent out and this has elicited a number of phone calls as well as written communication. It would appear that the bigger firms have hired an outside firm and/or have their internal human relations department tracking continuing education. Their argument is that they would like us to view their internal record as being the source documentation. They claim that they find it extremely arduous and difficult to get those source documents because of the numbers of partners they have worldwide. Thus far they have not provided actual proof as requested, for an audit to be conducted and we now have to go back to them for the requested source documents. Chairman Reynolds interjected that we cannot have two sets of standards and was adamant that they conformed to the request. Mr. Gesseck was asked and commented that he was aware from his personal experience that verification documents are retained by individual/partners attending various CPE programs etc. and he was not of the view that it was a difficult venture. The general consensus therefore was that the Board was pretty clear on matters relating to the audit and the onus was on the individual CPA to furnish the information requested.

The Enforcement Action was the next item on the Agenda and Attorney Opin proceeded with the non-hearing docket and relegated the Vancho Hearing awaiting the arrival of the Assistant Attorney General, Perry A. Zinn-Rowthorn.

**640 (99082) Gino Genovese, CPA – Requesting dismissal**

Complaint filed against CPA over CPA's alleged conflict of interest in disclosing inside information to prospective purchaser of business.

Complainant, 97.50% shareholder of business, was in negotiations to sell business to 2.5% shareholder of business. Complainant alleges that CPA disclosed confidential information to prospective purchaser of the business, Occupational Health Management and Resources, Inc. Allegation that CPA used inside information to aid prospective purchaser in lowering purchase bid for business. Multiple offers and counter-offers to purchase business. Subsequently, purchase deal fell through and potential purchaser of business opened up competing business. Lawsuits between complainant and potential purchaser alleging that potential purchaser solicited customers of business.

CPA was never sued by complainant, per complainant's attorney, there was an offer of \$950,000 for the business. Also, complainant's counsel acknowledged that suit against CPA could not go forward because of difficulty of proving damages against CPA.

Requesting dismissal of complaint

1. No evidence in file that CPA released confidential information to prospective purchaser of business.
2. No causal connection linking CPA to reduction in business price.
3. Complainant and prospective buyer are both shareholders, and as such, have access to business records, unless there is an agreement to the contrary. No evidence of any agreement excluding potential buyer from information of business.
4. E-mails questioning purchase of business initiated by prospective purchaser and not from CPA.
5. Per complainant counsel, no suit on Genovese, hard to prove damages, he got offer.

Chairman Reynolds' reaction was that #3 above was the most compelling because both parties were shareholders and therefore have a right to access the information. As a stockholder he is entitled to these records. The motion to dismiss was moved by James Ciarcia and seconded by Philip DeCaprio. Richard Bond opposed. All other members voted in favor.

Mr. Richard Gesseck raised the question for future reference concerning if a Board member knows an individual against whom a complaint has been leveled would that influence how the Board member votes on a motion. Michael Weinshal responded from his personal point of view that if he had had a personal business relationship with the individual he would exclude himself. However even if he knew the individual but had not had a business relationship he could objectively vote on the issue at hand. Philip DeCaprio's contribution was that if something pertinent about the character of an individual were known, that would not preclude you from voting nor would it be inappropriate to bring it to the attention of the Board, which may invoke further investigation.

**2447 – John Vancho, CPA – Hearing**

Attorney Eric Opín conducted the Hearing with the assistance of Perry A. Zinn-Rowthorn – Attorney General. The Complainant, Ms. Patricia Griffin was not present but was represented by counsel – Mr. Jonathan A. Franzel. The Respondent Mr. Vancho was not present nor was he represented by counsel.

After the Hearing was conducted, including questions raised by Board members Chairman Reynolds advised that he would entertain a motion to find that the facts presented by Attorney Eric Opín are established in the record. Richard Gesseck moved this motion seconded by Phillip DeCaprio. Richard Bond abstained. All other members voted in favor.

The next motion entertained by Chairman Reynolds was to find that the specific violations alleged by counsel in the complaint had been established by a preponderance of evidence. This motion was moved by Philip DeCaprio and seconded by Leonard Romaniello. Richard Bond and James Ciarcia abstained. All other members voted in favor.

The other motion to accept the penalties and remedies as proposed by Attorney Opin was moved by Michael Weinshel and seconded Philip DeCaprio. These were viz. to

- 1) immediately revoke Mr. Vancho's CPA certificate
- 2) Mr. Vancho returns his certificate to the Board no later than June 17, 2004
- 3) Mr. Vancho returns all of Ms. Griffins tax records no later than June 17, 2004
- 4) An order stating that failure to comply (2) and (3) by June 17, 2004 shall result in enforcement of this order by the office of the Attorney General without further action by the Board

After having reviewed the list the motion was amended, because members were not comfortable that Mr. Vancho was not made to compensate the Board for long months of little or no cooperation and viewed this as an opportunity to send a message to all practitioners that the Board is serious about ensuring that the letter of the law is complied with.

The motion moved by Mr. Weishel was amended by Philip DeCaprio to include \$1,000 penalty in addition to the remedies proposed by Attorney Opin. Chairman Reynolds however was leaning towards a higher penalty of \$7,000.00, which would represent \$1,000 on each 7 count. As a result of this discussion, the final motion was moved by Philip DeCaprio to accept the remedies proposed by Attorney Eric Opin to include a penalty of \$1,000 and seconded by James Ciarcia. All voted in favor.

Chairman Reynolds confirmed that this particular motion so ordered by this Hearing would require Attorney Opin to arrange to have notice served upon Mr. Vancho via Marshal service.

The Hearing was closed at 11:00 and the Chairman and Executive Director expressed their gratitude and appreciation to Attorney General Zinn-Rowthorn for all his assistance in the preparation and proceedings of the Hearing.

The regular monthly Board meeting resumed and Michael Wienshel made a motion and seconded by Philip DeCaprio, that the Executive Director prepares a Press release on the Hearing to go out after June 17, 2004. All voted in favor.

Chairman Reynolds thanked Attorney Eric Opin for his preparatory work relating to the Hearing and then proceeded with the remaining items on the Enforcement Docket.

## **2407-Thomas Fitzpatrick, CPA – requesting charges**

### Background

Complaint filed by Office of Policy & Management (“OPM”) as to substandard audit of Fire District. [Note: OPM oversees and reviews municipal audit reports]. Issues included omission of material disclosure items including:

- Missing pension information in report as required by State of Connecticut, General Standards Accounting Board (“GASB”), and Generally Accepted Accounting Principles (“GAAP”);
- Issuing a standard/unqualified opinion in the Independent Auditor’s Report when there was missing required supplementary information including schedule of funding progress and schedule of employer contributions;
- No disclosure of Fire District’s Federal Depository Insurance Corporation (“FDIC”) bank deposits along with no categorization of bank balance credit risks.

Fire district no longer uses his services, CPA is in compliance program.

In February- approval by Board for \$1,000 settlement penalty, plus compliance in a quality review program.

### Follow-Up

Only complaint against Mr. Fitzpatrick in this office.

Negotiations with Mr. Fitzpatrick were not successful. Respondent did not agree to proposed financial penalty. Claims he cannot afford \$1,000 penalty, issue of health problems, loss of fees, had to borrow to make payroll taxes. Has consistently complained of health issues throughout investigation.

Fine appears not to be the issue. Appear to be significant quality issues around being up-to-date in accountancy code (e.g. ability to perform audits, financial reporting) - CSCPA review appears to be problematic.

**3/2/04- Board authorized compliance meeting at April meeting.**

**4/6/04- meeting tabled per respondent’s health issues to May.**

**4/15/04- received voice mail from Respondent indicating inability to attend hearing due to surgical procedures.**

**4/22/04- sent certified letter to Respondent stating:**

In order to consider your request, the Board must receive the following information, **no later than May 3, 2004, by 12 noon sent to my attention:**

- All appropriate medical documentation describing your current health status, and current treatment.

**Will provide update at Board meeting regarding follow-up.**

**5/4/04 – Notice of Compliance Meeting, moved to 5/20/04**

**5/20/04 – Notice of Compliance Meeting**

**Requesting 5 count charge, each count under C.G.S. §20-281(a)(6)**

C.G.S. §20-281(a)(6) –After notice and hearing pursuant to section 20-280c, the board may revoke any certificate, license or permit issued under section 20-281c, 20-281d or 20-281e; suspend any such certificate, registration, license or permit or refuse to renew any such certificate, license or permit; reprimand, censure, or limit the scope of practice of any licensee; impose a civil penalty not exceeding one thousand dollars upon licensees or others violating provisions of section 20-281g or place any licensee on probation, all with or without terms, conditions and limitations, for any one or more for violation of any provision of sections 20-279b to 20-281m, inclusive, or regulation adopted by the board under said sections.

1. Violation of Section 20-280-15c (f) of the Regulation of Connecticut State Agencies requiring that a licensee shall not undertake any engagement for the performance of professional services which he cannot reasonably expect to complete with due professional competence, including compliance where applicable with subsections (g) and (h) of Section 20-280-15c (f) of the Regulation of Connecticut State Agencies.
2. Violation of Section 20-280-15c (g) of the Regulation of Connecticut State Agencies requiring that a licensee shall not permit his name to be associated with financial statements in such a manner as to imply that he is acting as an independent public accountant with respect to such financial statements unless he has compiled with applicable generally accepted auditing standards.
3. Violation of Section 20-280-15c (h) of the Regulation of Connecticut State Agencies requires that a licensee shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such financial statements contain any departure from such accounting principles which has a material effect on the financial statements, taken as a whole, unless the licensee can demonstrate that by reason of unusual circumstances the financial statements would be misleading. In such a case, the licensee's report must describe the departure, the approximate effects thereof, if

- practicable, and the reasons why compliance with the misleading principle would be a misleading statement.
4. Violation of Section 20-281g(j) of the C.G.S. requiring that a persona who holds a certificate shall not engage in the practice of public accountancy unless he also holds a valid license issued under section 20-281d and a permit under 20-281e.
  5. Violation of Section 20-281 et. seq. of C.G.S. requiring that on and after January 1, 1990, permit holders to undergo a quality review, conducted in such a manner as the Board may specify, to determine and report on the degree of compliance by the permit holder with GAAP principles, generally accepted auditing standards, and other similarly recognized authoritative technical standards.

A motion to accept the 5-count charge against Mr. Fitzpartick was moved by Philip DeCaprio and seconded by Richard Bond. All voted in favor.

**2434 - Ralph Hymans, CPA a/k/a/ Monroe R. Hymans a/k/a Monroe R. Hymans, CPA; a/k/a Ron Monroe, CPA, a/k/a/ M.R. Hymans, CPA – Requesting charges**  
Complaint alleges that CPA practiced without license, and defrauded client. No record of license since 1994.

Complainant given business card saying CPA. Evidence that Respondent used title on letterhead, outside door, office listing & on his suite door.

Requesting subpoena authority requested pursuant to C.G.S. §20-280(f) to investigate matter further, then review, report and follow-up to Board.

### Update

**5/4/04- Board approves charges**

**5/26/04 – Notice of Compliance Meeting**

**Requesting 8 count charge, 7 charges under C.G.S. §20-281(a)(11), and 1 charge under C.G.S. §20-281**

Section 20-281a(11) of the Connecticut General Statutes allows the Connecticut State Board of Accountancy to discipline anyone for violation of any provision of section 20-281(g) of the Connecticut General Statutes.

1. Violation of Section 20-281g(d) of the Connecticut General Statutes prohibiting a person who does not hold a valid registration or licensee from using use the title or designation “certified public accountant” or the abbreviation “CPA” or any other title, designation, words, letters, abbreviation, sign card or device tending to indicate that such person is a certified accountant, provided that a holder of a certificate who does not hold a license may use the title to such certification in the

manner permitted by regulations by the board under subdivision (g) of section 20-280.

2. Section 20-281g(e) of the Connecticut General Statutes prohibits a firm from using, or assuming the title or designation “certified public accountant”, or the abbreviation “CPA”, or any title, designation, words, letters, abbreviation, sign, card, device tending to indicate that such firm is composed of certified public accountants, unless (1) the firm holds a valid permit issued under subsection 20-281e, (2) all proprietors, partners and shareholders practicing public accountancy in this state hold valid certificates and licenses issued under subsection 20-281d, and (3) all proprietors, officers and shareholders of the firm hold licenses.
3. Section 20-281g(f) of the Connecticut General Statutes prohibits a person from assuming or using the title or designation “public accountant”, “or the abbreviation “PA”, or any other title, designation, words, letters, abbreviation, sign, card, device which tends to indicate that such person is a public accountant unless he holds a valid license issued under section 20-281b.
4. Section 20-281g(g) of the Connecticut General Statutes prohibits a firm which does not hold a valid permit issued under section 20-281e from assuming or using the title or designation “public accountant”, the abbreviation “PA”, or any other title, designation, words, letters, abbreviation, sign, card or device which tends to indicate that such firm is composed of public accountants.
5. Section 20-281g(h) of the Connecticut General Statutes prohibits a person or firm which does not hold a valid license and permit issued under sections 20-281d and 20-281e from assuming or using the title or designation “certified public accountant”, “certified professional accountant”, “chartered public accountant”, “enrolled accountant”, “licensed accountant”, “registered accountant”, “accredited accountant”, or any other title or designation likely to be confused with the titles “certified public accountant” or “public accountant” or the use of the abbreviations “CA”, “E.A.”, “LA”, “R.A.”, “A.A.” or similar abbreviation likely to be confused with the abbreviations, “CPA” or “PA” provided that a holder of a certificate who does not also hold a license may use the titles pertaining to such certificate only in the manner permitted by regulations adopted by the board under subdivision (6) of subsection (g) 20-280. This subsection shall not prevent persons designated as “enrolled agents” of the Internal Revenue Service” from using such title or the abbreviation “EA”
6. Section 20-281g(i) of the Connecticut General Statutes prohibiting a person or firm which does not a valid license and permit issued under section 20-281b or 20-281d and section 20-281e shall not assume or use any title or designation that includes the word “accountant”, “auditor”, or “accounting” in connection with any other language, including the language of a report, that implies that such person or firm holds such a permit or has special competence as an accountant or auditor, provided this subsection shall not prohibit any officer, partner or

employee of any firm or organization from affixing his signature to any statement in reference to the financial affairs of such firm or organization with any wording designating the position, title or office that he holds therein, not prohibit any act of a public official or employee in the performance of his duties as such.

7. Section 20-281(g)(j) of the Connecticut General Statutes prohibiting a person who holds a certificate from engaging in the practice of public accountancy unless he holds a valid license issued under section 20-281d and a permit issued under section 20-281e.

Attorney Opin requested that this case be tabled for next Board Meeting scheduled for July 6, 2004 as there was an issue that warranted further investigation.

**2441- Keith Wofsey/Summer Associates, Inc. – Requesting Settlement approval of \$6,500.00 plus order of discontinuance.**

Evidence that respondent in April, 2003 violated 3 part order agreed to in December, 1994 to discontinue using title or designations “Certified Public Accountant”, or “Public Accountant” or the abbreviations “C.P.A.” or “P.A.”, or any other title, designation, words, letters, abbreviations, sign, card or device or device tending to indicate that such person is a Certified Public Accountant or a Public Accountant, or assuming or using the title or designation “Certified Accountant”, “Certified Public Accountant”, “Chartered Accountant”, “Enrollment Accountant”, “licensed Accountant”, “Registered Accountant”, “Accredited Accountant”, or any other title or designation likely to be used with the title of “Certified Public Accountant” or “Public Accountant” or assuming or using any of the abbreviations “C.A.”, “E.A.”, “L.A.”, “R.A.”, A.A.”, or other abbreviation likely to be confused with the abbreviations, “C.P.A.” or “P.A.”, or assuming or using any title or designation that includes the words “accountant”, “auditor” or “accounting” in connection with any other language, including the language of a report that implies that such person a license or permit issued under Chapter 389 of the Connecticut General Statutes or has special competence as an accountant.

In April, 2004 Board approved 6-count charge against respondent, all under C.G.S. §20-281a(11)

Section 20-281a(11) of the Connecticut General Statutes allows the Connecticut State Board of Accountancy to discipline anyone for violation of any provision of section 20-281(g) of the Connecticut General Statutes.

1. Violation of Section 20-281g(d) of the Connecticut General Statutes prohibiting a person who does not hold a valid registration or licensee from using use the title or designation “certified public accountant” or the abbreviation “CPA” or any other title, designation, words, letters, abbreviation, sign card or device tending to indicate that such person is a certified accountant, provided that a holder of a

certificate who does not hold a license may use the title to such certification in the manner permitted by regulations by the board under subdivision (g) of section 20-280.

2. Section 20-281g(e) of the Connecticut General Statutes prohibits a firm from using, or assuming the title or designation “certified public accountant”, or the abbreviation “CPA”, or any title, designation, words, letters, abbreviation, sign, card, device tending to indicate that such firm is composed of certified public accountants, unless (1) the firm holds a valid permit issued under subsection 20-281e, (2) all proprietors, partners and shareholders practicing public accountancy in this state hold valid certificates and licenses issued under subsection 20-281d, and (3) all proprietors, officers and shareholders of the firm hold licenses.
3. Section 20-281g(f) of the Connecticut General Statutes prohibits a person from assuming or using the title or designation “public accountant”, “or the abbreviation “PA”, or any other title, designation, words, letters, abbreviation, sign, card, device which tends to indicate that such person is a public accountant unless he holds a valid license issued under section 20-281b.
4. Section 20-281g(g) of the Connecticut General Statutes prohibits a firm which does not hold a valid permit issued under section 20-281e from assuming or using the title or designation “public accountant”, the abbreviation “PA”, or any other title, designation, words, letters, abbreviation, sign, card or device which tends to indicate that such firm is composed of public accountants.
5. Section 20-281g(h) of the Connecticut General Statutes prohibits a person or firm which does not hold a valid license and permit issued under sections 20-281d and 20-281e from assuming or using the title or designation “certified public accountant”, “certified professional accountant”, “chartered public accountant”, “enrolled accountant”, “licensed accountant”, “registered accountant”, “accredited accountant”, or any other title or designation likely to be confused with the titles “certified public accountant” or “public accountant” or the use of the abbreviations “CA”, “E.A.”, “LA”, “R.A.”, “A.A.” or similar abbreviation likely to be confused with the abbreviations, “CPA” or “PA” provided that a holder of a certificate who does not also hold a license may use the titles pertaining to such certificate only in the manner permitted by regulations adopted by the board under subdivision (6) of subsection (g) 20-280. This subsection shall not prevent persons designated as “enrolled agents” of the Internal Revenue Service” from using such title or the abbreviation “EA”
6. Section 20-281g(i) of the Connecticut General Statutes prohibiting a person or firm which does not a valid license and permit issued under section 20-281b or 20-281d and section 20-281e shall not assume or use any title or designation that includes the word “accountant”, “auditor”, or “accounting” in connection with any other language, including the language of a report, that implies that such person or firm holds such a permit or has special competence as an accountant or

auditor, provided this subsection shall not prohibit any officer, partner or employee of any firm or organization from affixing his signature to any statement in reference to the financial affairs of such firm or organization with any wording designating the position, title or office that he holds therein, not prohibit any act of a public official or employee in the performance of his duties as such.

**Negotiation with Respondent includes the following:**

- A. \$6,500.00 civil penalty (6 violations @ \$1,000 per violation plus \$500 administrative fee), check was received on May 18<sup>th</sup>.
- B. The Respondent shall immediately discontinue assuming or using title or designations “Certified Public Accountant”, or “Public Accountant” or the abbreviations “C.P.A.” or “P.A.”, or any other title, designation, words, letters, abbreviations, sign, card or device or device tending to indicate that such person is a Certified Public Accountant or a Public Accountant, or assuming or using the title or designation “Certified Accountant”, “Certified Public Accountant”, “Chartered Accountant”, “Enrollment Accountant”, “licensed Accountant”, “Registered Accountant”, “Accredited Accountant”, or any other title or designation likely to be used with the title of “Certified Public Accountant” or “Public Accountant” or assuming or using any of the abbreviations “C.A.”, “E.A.”, “L.A.”, “R.A.”, A.A.”, or other abbreviation likely to be confused with the abbreviations, “C.P.A.” or “P.A.”, or assuming or using any title or designation that includes the words “accountant”, “auditor” or “accounting” in connection with any other language, including the language of a report that implies that such person a license or permit issued under Chapter 389 of the Connecticut General Statutes or has special competence as an accountant.
- C. The Respondent shall immediately discontinue issuing any report issued under Chapter 389 of the Connecticut General Statutes on financial statements of any person, firm, organization or governmental unit, including, but not limited to any report using language conventionally used in the accounting profession by licensees with respect to an audit, an examination, a review or a compilation of financial statements, affixing Respondent’s name or the name of any business organization to any financial statements, opinion or report on, or certificate to, any accounting, or financial statement with any of the following wording:
  - “I (we) have compiled”
  - “I (we) have reviewed”
  - “I (we) have examined”
  - “I (we) have audited”
  - “in accordance with standards established by the American Institute of Certified Public Accountants”
  - “in conformity with generally accepted accounting principles”

- “in my (our) opinion”
- “in accordance with generally accepted professional standards”; or

with any other wording which sufficiently resembles standardized wording employed in the accounting profession, so that, when used in connection with accounting or financial statements, said wording indicates that the user is an accountant or that the user has special competence as an accountant or an auditor.

- D. Nothing in this ORDER shall prohibit Respondent from preparing tax returns and rendering bookkeeping services, so long as Respondent does not use or assume any of the titles described in paragraph 1, and does not issue a report on financial statements or employ any of the wording described in paragraph of this order.

The motion to approve settlement as stated was moved by Michael Weinschel and seconded by Philip DeCaprio. All voted in favor.

**2461 – Edmund DiClemente, CPA – re-clarification of subpoenas – parties to attend**

At May meeting, the general consensus was that a Compliance Hearing be held for records violation with all involved parties in the presence of the Board with the Assistant Attorney General in attendance, to attempt to get closure to this case.

A motion to subpoena both CPAs, and the Complainant as recommended by Attorney Opin, was made by Richard Bond and seconded by Leonard Romaniello. All voted in favor.

Clarification

Requesting motion pursuant to C.G.S. §20-280(f) to issue subpoenas to compel the attendance of the following witnesses

- Edmund DiClemente, CPA
- James A. Lagana, CPA, successor CPA to West Hartford/Polo, LLC
- Mr. Peter D’Addeo
- Mr. Zak (Zachary) Nathan

The motion to issue the aforementioned subpoenas was moved by Leonard Romaniello and seconded by Richard Sturdevant. All voted in favor.

**2462- Timothy Hickerson, CPA - requesting approval of negotiated settlement of \$2,350, follow-up on Tennessee CPE’s.**

Complaint filed by Treasury Inspector General for Tax Administration (TIGTA) in August, 2003 that CPA was falsely claiming to be a CPA in violation of 18 U.S.C. §1001

and C.G.S. §20-281(h)- knowingly violating C.G.S. §20-281(g)- issuance by report of person or firm not holding valid license or permit.

Investigation found that respondent has been in Connecticut since 1989, holds a Tennessee CPA certificate, has significant public accountancy experience and is currently a solo practitioner. Meets reciprocity requirements, and CPA has agreed to register with this office. CPA did not realize that he needed a separate Connecticut CPA certificate/license.

Respondent agreed to settlement as follows

5 years of back license fees (5* \$450)	= \$2,250
+ Administrative fee	+ <u>100</u>
	\$2,350

Respondent paid settlement fee via check on March 3, 2003.

On April 4, 2004, Board tabled settlement pending status of CPE's.

**David Guay to discuss RE: Respondent's CPE status in Tennessee.**

At the last Board Meeting the Executive Director was asked to look into whether Mr. Hickerson had done Continuing Education since he was registered in another State. He advised the Board that Mr. Hickerson currently holds an active License in Tennessee that will expire on 12/31/2004, up-to-date and in good standing with the CPE. He does not have nor has had a firm in Tennessee. All of this was confirmed with the Executive Director at the Tennessee Board.

The motion to approve negotiated settlement was moved by Michael Wienshel and seconded by James Ciarcia. All voted in favor.

**2520 – Israel Gordon, CPA – requesting dismissal**

Complainant involved in billing dispute with CPA, and release of records.

Review of file appears that there is no formal termination by complainant. Nevertheless, CPA withheld work papers of complainant from successor CPA. Work papers necessary for filing of IRS returns.

Respondent did release work papers after I spoke to him about requirements under C.G.S. §20-281(k)(b) requiring release of original records (note: work papers tied into original records). Successor CPA was satisfied with release of records and was able to file IRS returns.

Respondent did correctly indicate that C.G.S. §20-281(k)(b) does conflict with AICPA ET Section 501.02501-1 allowing member's work papers – including, but not limited to, analyses and schedules prepared at the request of the client, are the member's property, not the client's property, and need not be made available.

The motion requesting dismissal was moved by James Ciarcia and seconded by Leonard Romaniello. All voted in favor.

**2530 - Tama, Budaj & Raab, CPA – request settlement approval**

Complaint by Connecticut CPA firm alleges that CPA firm issued opinion/audit report without CT license of practice to permit.

Ultimately, a business dispute between Connecticut CPA firm and Michigan firm over multi state commercial real estate firm changing CPA firms. Commercial real estate firm based out of Rhode Island with subsidiary in Connecticut.

Respondent CPA firm based out of Michigan did not have license in Connecticut at time audit was issued. No evidence indicating that quality of audit is an issue. A technical violation of the licensing statute.

Michigan CPA firm has complied with Connecticut requirements. They applied for individual and firm CPA license on March 22, 2004. Their application was delayed to the Board because of delays in paperwork from State of Michigan Board of Accountancy.

Requesting approval of the following settlement:

1. An administrative cost fee in the amount of one hundred dollars (\$100.00) by a check payable to the Treasurer, State of Connecticut and delivered to the Connecticut State Board of Accountancy together with this signed agreement. Payment received on May 21, 2004.

Attorney Eric Opini confirmed that the individual and firm licenses have since been approved. The motion requesting settlement approval was moved by Leonard Romaniello and seconded by Richard Sturdevant. All voted in favor.

The next Agenda item was a Peer Review question on SSARS 8 delivered by Executive Director Guay. The premise was whether a SSARS 8 Compilation would require a firm to be subject to Connecticut's Peer Review requirement. He quoted the relative regulation as follows:

**Sec. 20-281-2. Requirement for quality review-areas to be reviewed**

(a) Every permit holder, as a condition of renewal of its permit pursuant to C.G.S. 20-281, must undergo a quality review in accordance with these Regulations to determine and report on the degree of compliance by permit holders with generally-accepted accounting principles, generally-accepted auditing standards, and other similarly recognized authoritative technical standards. The quality review will include the financial

reporting areas of practice, including audit engagements, review engagements, and compilation engagements of both historical and prospective financial information.

He also included an AICPA summary on SSARS No. 8, which in essence states: “SSARS No. 8 will make substantive changes to the compilation engagement. It creates new options for accountants when performing compilation engagements in which the financial statements are not expected to be used by a third party, and also allows CPAs to exercise greater professional judgment in offering compilation services to their clients. SSARS No. 8 offers tremendous flexibility to practitioners to meet the needs of their clients and yet still protect the user of financial statements. CPAs can continue to perform compilation services with a report or, if the report is only for management use, SSARS No. 8 allows a different reporting mechanism”

This engendered some debate among the members specifically for clarification and verification purposes. Some of the concerns were that firms were made aware that these compilation reports were not to be used by a third party and that to ensure there were no breaches of the regulation and they were complying with the standards a form of peer review should be in place for control purposes. However if the firm is only doing compilation they are allowed to have only a report review and all that is seen is the Accountant’s report and the financial statements that is attached together with a brief questionnaire that the firm fills out. No work papers or engagement letters are seen but if there are abuses and or violations then these firms would be dealt with according to the regulations.

In the final analysis it was suggested that this be informally brought up at the upcoming NASBA meeting to get a feel for how other states that have mandatory peer review, are handling SSARS 8. This discussion was therefore tabled for the next Board meeting scheduled for July 6, 2004.

The next item on the Agenda was the review of the draft of CPE Regulation revision, which Executive Director Guay addressed. He advised that with the assistance of the interns he was able to draw up a rough draft of the revision in a timely manner. He first brought up the matter discussed at the last meeting, which was changing the date of the renewal of licenses to coincide with CPE reporting in June/July. He advised the Board members that there was no way the figures could be manipulated without showing from a financial standpoint, that whereas there would be a delay in revenue it really would manifest itself as a loss in the first fiscal year. He therefore recommended to the Board that we not propose any regulations that show a loss in revenue whether real or delayed. It was therefore not a feasible alternative to change from a November/December renewal cycle.

The Executive Director went on to discuss the amendment to 24-hour self-study limitation/how it is estimated, and inclusion of the Ethics requirement. He also confirmed that after having scrutinized the vendor issue together with the interns, decided that it was a broad enough definition and considered it should be kept as stated.

He also discussed the periodic audit, and in order to assist with the seemingly difficult area of monitoring a 3-year cycle for auditing, Richard Gesseck suggested that a line item be added to the CPE reporting form requesting the CPA to insert the last year of 4 hour CPE credit claimed. The final version for approval will be presented at the next Board meeting scheduled for July 6, 2004.

Richard Gesseck revisited the topic pertaining to large firms and CPE auditing and in particular to the responsibility of the partner/practitioner's retention of receipts and proof of attendance. He thought it should be the responsibility of the participant to retain receipts and not the firms' and such language should be made clear in the regulations. He was assured by the Executive Director that such language already exists.

The next topic for discussion was the NASBA Focus questions that were completed as follows:

## **REGIONAL DIRECTORS' FOCUS QUESTIONS**

*The input received from our focus questions is reviewed by all members of NASBA's Board of Directors and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your board's responses to your Regional Director (except in the Northeast where responses should be sent to Director-at-Large Andrew DuBoff at [Alauroff@aol.com](mailto:Alauroff@aol.com)) by **Monday, July 12, 2004**. Use additional sheets for your responses if needed.*

**JURISDICTION** Connecticut                      **DATE** June 2, 2004  
**NAME OF PERSON SUBMITTING FORM** David Guay

1. On May 10, the *Wall Street Journal* reported: "Americans' concerns over privacy could do more to stop overseas outsourcing of white-collar jobs than all the hand-wringing over job losses." Has the issue of outsourcing accounting work from accounting firms to domestic or overseas providers been discussed by your board recently? Does your board believe outsourcing to other firms or service providers outside the United States to be an issue requiring the board's attention? Please explain your responses.  
[Yes, the Connecticut Board has discussed outsourcing and the Connecticut Board believes it to be an issue requiring attention. The Connecticut Board continues to review and discuss the subject.](#)

---

---

2. In the March 2004 issue of the *CPA Journal*, Steven Mintz writes: "The outsourcing of tax services continues a disturbing trend in the accounting profession of placing pecuniary interests ahead of the public interest. The Enron scandal should have taught us that placing self-interest above all else, that fostering a client's financial transactions regardless of the surrounding economic circumstances, can have disastrous consequences. The failure to disclose tax outsourcing raises similar concerns. This is especially so when clients' interests are subordinated to those of a CPA firm that seeks to minimize costs without due regard for either the confidentiality of client information or the quality of services performed."

Does your board believe outsourcing tax preparation work to other firms domestically or overseas to be an issue requiring the board's attention? Please explain.  
[Yes. The Connecticut Board is still reviewing and discussing the issue.](#)

3. The NASBA Accountancy Licensee Database (ALD) is, through the use of publicly available information, expected to benefit the member boards by facilitating the processing of reciprocal licenses and practice privileges, aiding substantial equivalency and strengthening cross-border enforcement. Does your board have any concerns related to its participation in the ALD? If so, please tell us what technical, legal, political or revenue issues your state might have.

The Connecticut Board is not prepared to respond to this question at this time. The matter has yet to be reviewed and discussed.

---

4. What are the major comments about the computer-based Uniform CPA Examination that you have received from candidates who have taken the new exam?

Connecticut has received positive comments concerning the new format including the ability to access on line resources in order to construct an appropriate response. A concern was raised on the ease and functionality of the copy and paste feature.

---

---

---

---

---

5. What is happening in your jurisdiction that is important for other state boards and NASBA to know?

Connecticut is proposing regulations which add an ongoing ethics requirement as part of the continuing education requirement. Connecticut is also proposing other changes to the continuing education requirements: including removing the self-study maximum limitation, and changing the method for measuring self-study courses from one-half the average completion time to the average completion time.

Connecticut is also reviewing whether firms, which perform no accounting engagements other than SSARS 8 Engagements, should be subject to Peer Review.

---

---

---

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
  - Input only from Executive Director
  - Input from all Board Members and Executive Director
  - Input from some Board Members and Executive Director
  - Input from all Board Members
  - Input from some Board Members
- Other (please explain):

Chairman Reynolds confirmed which Board members were attending the NASBA Regional meeting this month and all members with the exception of Richard Gesseck and Philip DeCaprio would be in attendance. Chairman Reynolds advised that NASBA meetings have always been extremely beneficial and enlightening especially discussions with members from other States because you do get some insight on the different ways other jurisdictions operate and encouraged Board members to converse with members from various States.

Chairman Reynolds then directed the meeting to include comments from members of the public and Joseph Equale advised that he was recently elevated to President of the Connecticut Society of CPA and that he looked forward to continuing to offer the Society's resources to the Board in whatever way he could, to mutually discharge their responsibilities. Chairman Reynolds congratulated Mr. Equale on his election and took the opportunity to thank him for extending the Society's support.

A motion to adjourn the meeting was moved by James Ciarcia and seconded by Leonard Romaniello. All voted in favor. The meeting was adjourned at 11:45 A.M.